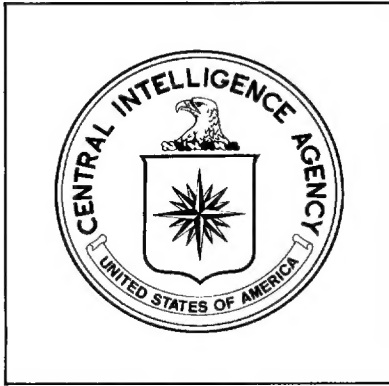


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## STAFF NOTES:

# Latin American Trends

State Department review completed

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## LATIN AMERICAN TRENDS

This publication is prepared for regional specialists in the Washington community by the Western Hemisphere Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Ecuador: Waking Up To Economic Reality

The Ecuadorean Government appears to be facing up to its increasingly serious economic problems after several months of looking the other way.

Until as late as last month, Minister of Finance Jaime Moncayo repeatedly postponed coping with pessimistic economic forecasts made by the central bank. Moncayo, a civilian appointed at the height of Ecuador's oil-produced boom in February 1974, [REDACTED] feared that the military government would hold him responsible for the country's recently developed financial ills. During the first quarter of 1975, however, Moncayo authorized the inconspicuous conversion of about \$28 million of budgeted development funds into current expenditures.

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In June, Moncayo finally proposed, and the cabinet approved, a number of measures designed to stop the economic decline. Chief among the moves to be undertaken are a government austerity program, an expansion of credit, and the liberalization of foreign exchange controls. These measures, and other minor ones, apparently were formulated when Moncayo was no longer able to ignore the advice of his own ministry, the national monetary board, and the central bank, including at least 23 separate, formal proposals made to him since April.

President Rodriguez and his administration have a built-in bias against economic bad news. The considerable popularity of the three-year-old regime is due almost entirely to the revenues that have flowed from petroleum, which has been exploited profitably for about two and a half years. The government seems to appreciate that a downturn in the economy is almost sure to generate a downturn in its political fortunes. The only serious talk of replacing either Rodriguez or the entire military

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government has, in fact, come during the past six months or so, the period in which rising inflation and other economic signs have begun to demonstrate to the average Ecuadorean that all is not well.

This month, amid rumors that Moncayo may be on the way out of the cabinet, Natural Resources Minister Admiral Luis Salazar has announced a bold effort to increase oil revenues. Apparently bucking informal OPEC guidelines, Ecuador has lowered the price of its oil by \$0.43 per barrel in the Caribbean and US markets. This, coupled with another reduction expected in August, will encourage the Texaco-Gulf consortium to market Ecuadorean oil on a basis more competitive with Middle Eastern oil. Until this reduction, the consortium had argued that Ecuadorean oil was too expensive to be worthwhile, and had virtually suspended its operations in Ecuador.

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This new pragmatism is a welcome change from the alarm that temporarily gripped the government when it

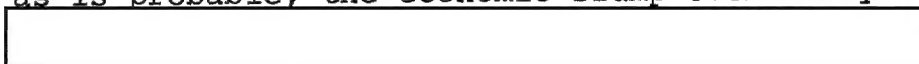
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became apparent that oil was not about to do for Ecuador what it did for Venezuela. But the average Ecuadorean is neither an economist nor a politician and is likely to continue to wonder when all national and personal problems will be solved by the black gold. The inevitable frustrations are almost certain to engender increasing dissatisfaction with the government even if, as is probable, the economic slump eventually eases.

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Manley Visits Cuba

The importance Havana attaches to developing ties with Jamaica was reflected in the red-carpet treatment given to Prime Minister Michael Manley during a five-day visit to Cuba that ended Sunday. He was squired around the island personally by Fidel Castro, as well as by other top Cuban leaders.

The Cuban Communist Party's Central Committee reportedly decided last fall to give high priority to establishing close governmental relations with Cuba's Caribbean neighbors. In keeping with this decision Havana has received three Caribbean heads of government in the last three months and Prime Minister Errol Barrow of Barbados may travel to Cuba later this year.

Jamaica is one of the countries where the Cuban leadership has pinned its greatest hopes for an enhanced role. Manley and Castro already share views on numerous Third World issues, and by this visit Manley undoubtedly expects to improve his credentials with the non-aligned movement. The Castro regime is optimistic about expanding its influence with Kingston beyond cooperation in international forums. Manley's shift toward socialism is of recent vintage and Havana wants to help him move further to the left by assisting him in developing organized grass-roots support tied to his People's National Party

There are indications that Cuba has already started to pursue this objective. Last August during a trip to Jamaica representatives of Cuba's Union of Young Communists concluded a youth exchange agreement. Over 170 Jamaican students now are in Cuba working in housing construction. Havana doubtless expects some of these students to be leaders in the molding of Jamaican popular

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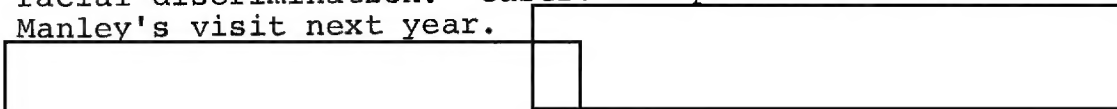
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organizations. During Manley's visit, a delegation from his party discussed with Cuban Communist Party officials the activities of the Cuban party and its relationship to mass organizations. This is not the first interchange between representatives of the two parties. In May the president of the National Youth Organization of Manley's party visited Cuba, and in late June a Cuban Communist Party contingent traveled to Jamaica. In providing technical advice and training, the Cubans would not be moving into a vacuum. Jamaica has well established labor unions, and Manley as well as his opposition has already begun to marshal the urban poor.

Manley's search for what he called "practical ways in which our two people could cooperate" may lead to the sending of Cuban technicians to advise in the fields of fishing, shipping, and sugar and food processing. Cultural exchange programs are already on the upswing. Cuba reportedly has plans to send writers and other intellectuals to emphasize the black cultural heritage it shares with Jamaica and to extol what Havana views as its success in solving the problem of racial discrimination. Castro has promised to return Manley's visit next year.



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Surinam: Independence Date Set, Problems Remain

Surinam--the source of almost a fifth of US imports of bauxite and alumina--will become independent on November 25. The date was firmed up by Surinamese Minister President Henck Arron during his recent trip to The Netherlands.

Arron will become chief executive of the new nation, which has been internally self-governing since 1950. The moderate Arron will have to cope with myriad domestic problems, many of which stem from Surinam's polyethnic makeup. His creole-dominated government will have to be sensitive to the demands of the large Hindustani (East Indian) minority, which is generally opposed to independence. Hindustani frustration reached a crescendo in May during the visit of Dutch Prime Minister den Uyl, when demonstrations broke out and some young extremists set fire to buildings in the capital city of Paramaribo.

Foreign policy questions will also preoccupy Arron's administration, the principal one being the longstanding border dispute with Guyana. At the same time Surinam is seeking closer relations with Venezuela, which it views as a customer for its bauxite and a source for both petroleum and economic aid.

Some labor spokesmen are already calling for the nationalization of the aluminum companies, including the Surinam Aluminum Company, the wholly-owned subsidiary of the Aluminum Company of America. Arron agrees that the government should receive more revenue from the companies, but he wants to maintain a healthy climate for foreign investment and has pledged to work for joint ventures with new foreign investors.

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Arron will no doubt want to maintain good relations with the US because he views Washington as a potential source of aid. He maintains that if the Dutch fail to provide enough economic and military assistance, he will turn to the US for help.

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Argentina: The Senate Takes A Stand

Argentine legislators have moved to fill the post of provisional president of the Senate, which had been left vacant since last April in accordance with the wishes of President Peron. Italo Luder, a moderate Peronist who heads the chamber's Foreign Relations Committee, now becomes next in line for the Presidency should Maria Estela de Peron leave office. The move by the Senate is a tactical defeat for the President, who had deliberately kept the post open in hopes of precluding a move to oust her and to ensure her control over the presidential succession, should she decide to resign.

The election itself reflects at least a temporary erosion of the Peronist chain of command and highlights Mrs. Peron's failure to manage her own government coalition. The selection of Luder, who is not likely to be easily controlled by the President's wily mentor, Jose Lopez Rega, may presage further problems for the chief executive.

In keeping with the spirit of rebellion in which he was elected, Luder appeared to snub Mrs. Peron in his acceptance speech by not even mentioning her name and calling for "a new political framework: pluralist dialog." The 58-year-old senator from Buenos Aires Province gave special thanks to the loyal opposition, the Radical Civic Union, which had unanimously supported him.

A lawyer by profession, Luder is a specialist in constitutional law and a noted academician. He is frank and direct and has been described as level-headed and sensible. Luder is a pragmatist in foreign policy matters. He has stated that ideology, passion, and national shibboleths should have no place in foreign affairs,

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although he recognizes that a foreign policy must be packaged and presented in such a way as to be acceptable to domestic opinion. He has told US Embassy officers in Buenos Aires that he favors a close relationship between the United States and Argentina that would be mutually beneficial without infringing on Argentina's sovereignty. He visited this country briefly on a foreign leader grant in mid-1974.

With seemingly no one currently on the political scene who could capture the Argentine imagination, Luder appears to be one of the best of the available candidates. As one journalist commented when Luder was jeered by an ultra-right-wing Peronist group, "With enemies like that, Luder can't be all bad." His election, at the very least, is a plus for constitutionalism in Argentina.

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ANNEX

Status Of Rio Treaty Negotiations

An OAS conference of plenipotentiaries is meeting this week and next in Costa Rica to draw up and sign a protocol of amendment to the Inter-American Treaty of Reciprocal Assistance (Rio Treaty). The amendments have been under deliberation since 1973, when the OAS General Assembly created a Special Committee to propose reforms of the inter-American system.

The dynamics of hemisphere affairs lend an element of unpredictability to even the most mundane inter-American assemblies, and dealing with this treaty--under which the Cuba sanctions were imposed and which attempts to define "aggression"--holds its own particular risks of provoking conflict. Odds nevertheless seem to favor the adoption of a protocol, which would become operative upon deposit of the instruments of ratification by two thirds of the treaty signatories. Treaty members include all OAS members except Barbados, Grenada, and Jamaica.

The following gists a State Department report by T. E. Taylor providing background information on the negotiations and analyzing the principal proposed amendments.

Lines of Battle

From the beginning of the Special Committee's deliberations in June 1973 there have been two camps representing distinct points of view: 1) those who look upon the Rio Treaty as an instrument of US imperialism and thus in need of radical change, and 2) those who are comfortable with the treaty as it is but nevertheless desire some minor, mostly cosmetic changes.

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Peru led the first group, with Mexico the chief of staff. Argentina was a charter member of this group but gradually dropped out as the Peronist government shifted rightward. Chile's defection in September 1973 was more precipitate. Panama seldom participated in the substance of the debate, but continually supported the more radical group. Venezuela sporadically took part but after mid-1974 was rarely active.

Fundamentally, this group has little use for the Rio Treaty. But its members hesitate to denounce it because a) they would be isolated from most of their Latin brethren, b) they still see some advantages in remaining under the US umbrella and c) the treaty is the only effective peaceful-settlement mechanism available. They trained their attack on the following provisions:

a. Applicability of the treaty to armed attack from outside the hemisphere. They reasoned that the US is the only country likely to be attacked by an extra-continental power; let the US take care of itself. In the unlikely event that one of the Latins is attacked by an extra-continental power, the US would leap in anyway, so why undertake any obligations for what is inevitable?

b. Coverage of non-signatories in the hemisphere. This was partly aimed at Canada and interlocking coverage of NATO and the Rio Treaty, which would supposedly tie the Latin Americans to European problems. Some concern has also been expressed that non-signatories were getting a free ride.

c. Coverage of territory outside the hemisphere. There has been opposition not only to coverage of attacks on US forces outside the hemisphere but also to the wide maritime zone provided for in the present treaty.

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d. The broad language in Article 6 which provides for possible action under the treaty in case of an aggression which is not an armed attack, an extra-continental or intra-continental conflict, or "any other fact or situation that might endanger the peace of America." Virtually all Rio Treaty action to date has been taken under this article, and some Latins think it just gives the US a vehicle for misbehaving.

e. The requirement for a two-thirds vote to lift sanctions. The Cuba experience (Quito, for example) has sharpened this. In its most extreme form, the argument might be stated: "The US can always get the votes of enough subservient countries to block the lifting of sanctions." Peru, Mexico, and others favor a formula that would lift sanctions when they lack two-thirds support--in other words, lifting by one-third plus one.

In addition, Peru sought to introduce "economic aggression" into the treaty. In the end, Peru agreed not to insist on substantive treatment of economic offenses in the Rio Treaty but succeeded in getting tentative approval of an article stating that a separate treaty will "guarantee" economic security.

The second group--an overwhelming majority--was generally complaisant in responding to the first group's peripheral demands but stood firm on what it considered essential. The leadership of this side was never clear, but Guatemala, Ecuador, Uruguay, and Brazil provided a core around which the other countries tended to rally. This group was concerned primarily with defending the treaty's usefulness and secondarily with making improvements. The "pro-treaty" side concentrated on:

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a. Defense of the "hemisphere concept." They sought to safeguard the peace of the hemisphere, not just the security of the individual signatories.

b. Preservation of broad authority under Article 6 for meetings of the Organ of Consultation in the event of threats to the peace. The small countries were particularly zealous in defending this authority. While some acknowledged that the vagueness of Article 6 had lent itself to abuse, such countries as Uruguay, Ecuador, and Costa Rica identified it as the very keystone of their national security: A large country will hesitate before it threatens a smaller neighbor if it knows that the strength of the hemisphere is backing the small country's integrity.

Most of the members of this group also felt the sanctions should be subject to lifting by a simple majority vote. Despite some reservations expressed privately, all except the US supported the collective economic security article.

#### Analysis of the Principal Proposed Changes

Article 2. This was a classic case of an effort to bridge fundamental differences by deleting the specific in favor of the general. The more radical countries objected above all to language that specifies that disputes should go to inter-American peaceful settlement procedures before being referred to the UN. They believe that the US can obtain more support for its views in the regional system than in the UN, where the Third World has a vast majority. But Article 52 of the UN Charter states that "every effort" shall be made to achieve pacific settlement of local disputes through regional arrangements "before referring them to the Security Council." Elimination of "before" from the Rio Treaty and substitution of general language was a compromise acceptable to nearly all.

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Article 2 (bis). This proposed new article states that "integral economic security" shall be "guaranteed" in a "special treaty." Its inclusion is clearly designed to apply pressure on the US to agree on a treaty on collective economic security to the advantage of the developing countries.

Article 3. The amendment changes coverage of the principle of "an attack against one is an attack against all" from "American states" to "contracting parties." In the new language, only Article 6 could cover attacks on hemispheric countries not parties to the treaty (e.g., Guyana). A troubling change proposed separates treatment of extra-continental and intra-continental attack and introduces some ambiguities with respect to extra-continental attack.

Article 4, which defines the zone of application of Article 3, has not yet been worded pending preparation of certain cartographic studies. There is a consensus that Greenland will be excluded, the entire Caribbean included, and the Atlantic and Pacific coverage sharply reduced. Canada will be included in the zone of application.

Article 6. Has a long and tortuous text but is the core of the treaty. The first group of countries labored long and hard to eviscerate it, but the proposed text is nearly as broad and flexible as ever.

Article 6 (bis). This addition requires the consent of a state before the Organ of Consultation could give it "direct assistance."

Article 9. This aims at defining aggression and its proposed text deviates from the UN definition. An important change was the deletion of an attack on "marine

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and air fleets" as a specified case of aggression. This Ecuadorean amendment received widespread Latin approval.

Article 17. The present treaty states that all decisions under the treaty must be taken by two thirds of all signatories. The new language would make an exception: Sanctions under Article 8 would be rescinded by a simple majority. Only Chile opposed this proposal when Ecuador advanced it but even Chile finally switched to an affirmative vote, leaving no opposition. It is this article, unamended, that has stymied efforts to lift OAS sanctions against Cuba.

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